VERITÉ RESEARCH
Strategic Analysis for Asia

MAINTAINING AN UPDATED, ONLINE, PUBLICLY ACCESSIBLE DATABASE OF BLACKLISTED COMPANIES.

THE PROPOSAL

Research by Verité Research identifies two gaps in Sri Lanka's blacklisting framework: a legal gap and a compliance gap. The legal gap in Procurement Guidelines 2006 (PG 2006), which excluded fraud and corruption, has been addressed in Procurement Guidelines 2024 (PG 2024). However, the compliance gap persists: Sri Lanka has no publicly available record of blacklisted suppliers, making it impossible to verify whether the provisions in PG 2024 are being enforced.

Transparency is key in addressing this gap. A centralized, online, and publicly accessible blacklist, already standard among Sri Lanka's South Asian peers, would improve compliance and strengthen deterrence. That is, the resulting reputational damage and economic losses from the denial of opportunity to do business with government would act as an effective deterrent against corruption.

Verité Research, therefore, recommends establishing an online, publicly available database of blacklisted suppliers to close the compliance gap in Sri Lanka's procurement framework.

SHORT ABSTRACT

The IMF Governance Diagnostic highlights procurement as a high-risk area because of the large sums involved. Globally, procurement accounts for 15–30% of GDP, and corruption increases contract costs by 10–25%. Addressing this requires blacklisting firms involved in fraud and corruption, and ensuring such sanctions are published online to enable compliance and transparency. Research by Verité Research identifies two gaps in Sri Lanka's blacklisting framework: a legal gap and a compliance gap. The legal gap in PG 2006, which did not recognize fraud and corruption as grounds for blacklisting, has been addressed in PG 2024. However, the compliance gap remains unaddressed, as Sri Lanka has no functioning, publicly available database of blacklisted firms. In fact, PG 2024 has taken a step backwards by repealing the centralized database requirement mandated previously under PG 2006 and limiting publication of blacklisted suppliers to procurements valued at LKR 200 million or less (Section 10.4.c.). This makes Sri Lanka an outlier in South Asia, whereas countries like Bangladesh, Nepal, India, Pakistan, Bhutan, and the Maldives all maintain active online blacklists.

Transparency is critical to closing this compliance gap. Without public disclosure, the risk of non-compliance remains high. Online publication strengthens accountability and increases the effectiveness of blacklisting. The resulting reputational and economic losses faced by firms from being denied government contracts make corruption less attractive, serving both as punishment for current wrongdoers and as a deterrent against future misconduct. Closing this gap would deter corruption, protect public funds, and enhance trust in government procurement.

TOPLINE VIEW

Objective of the Proposal	
☐	Economic Growth
☒	Governance
☒	Justice and Rights
☒	Social Welfare
☐	Other: …………

Implementing Agency:	National Procurement Commission (NPC) and Ministry of Finance – Department of Public Finance (DPF); Procurement Entities (PEs) for case initiation and notifications.
Primary Beneficiaries:	Taxpayers; compliant businesses; procurement entities relying on fair competition.
Cost Estimate (if available):	Minimal administrative/IT costs to operate and update the online blacklist; training/compliance oversight for PEs (TBD). Potential fiscal savings are large given estimated losses of ~1% of GDP.
Policy Type:	Regulatory reform (amend the Procurement Guidelines 2024 to ensure mandatory publication of blacklist; compliance provisions/penalties).

HOW DOES IT ADVANCE THE OBJECTIVES

1. **Economic Growth**: Prevents the diversion of scarce resources into inflated contract costs, potentially saving 1% of GDP annually.
2. **Governance**: Creates an enforceable, transparent mechanism to deter procurement corruption, bringing Sri Lanka in line with South Asian peers such as India, Bangladesh, and Nepal.
3. **Justice and Rights**: Ensures corrupt firms face reputational and financial consequences, levelling the playing field for compliant firms and protecting public interest.

CASE FOR THE PROPOSAL

The IMF Diagnostic has flagged procurement as particularly vulnerable because of the large sums involved. Globally, procurement represents 15–30% of GDP, and corruption inflates contract values by 10–25%.

Corruption in public procurement undermines competition and inflates contract costs, leading to waste of scarce public resources. Blacklisting, or debarment, is a tool to deter fraud, corruption, as well as non-compliance by preventing companies found guilty of such misconduct from participating in government procurement for a specified period. These systems are designed to exclude contractors “that pose unacceptable performance or reputational risks due to bad acts or weak internal controls”. The presence of such wayward suppliers in the procurement system poses a risk to public funds. Therefore, taking legal remedies such as blacklisting/debarment to prevent government agencies from doing business with such suppliers for a period is important to combat fraud, abuse, and waste in public procurement.

Denying companies the opportunity to do business with the government is one of the strongest deterrents against future wrongdoing. The resulting reputational and economic losses faced by firms make corruption less attractive, serving both as punishment for current wrongdoers and as a deterrent to future misconduct. Further, it provides confidence to those companies that do not engage in such acts of fraud and have better internal controls that the government does business in a fair and competitive manner.

Implementing measures such as blacklisting is identified as an important step the governments can take to encourage compliance with the anti-corruption requirements of the United Nations Convention against Corruption (UNCAC). Blacklisting is also endorsed and used by the World Bank, EU, and major jurisdictions as a key deterrent against procurement corruption.

Research by Verité Research identifies two gaps in Sri Lanka's blacklisting framework: a legal gap and a compliance gap. The legal gap in Procurement Guidelines 2006 (PG 2006), which did not recognize fraud and corruption as grounds for blacklisting, has been addressed in PG 2024. Addressing the legal gap is necessary, but not sufficient. However, the compliance gap remains unaddressed, as Sri Lanka has no functioning, publicly available database of blacklisted firms. Sri Lanka is currently the only country in South Asia without a functioning online, public blacklist, whereas Bangladesh, Nepal, India, Bhutan, Maldives, and Pakistan all maintain active online blacklists with hundreds of entries.

Previously, PG 2006 mandated that contractors/suppliers blacklisted on contracts exceeding LKR 5 Mn be published in an online database (Section 8.11). This requirement was never fully implemented: historically only two firms were listed (Dec 2020–Dec 2022); currently none appear in the Ministry of Finance's database. PG 2024 has taken a step backwards by repealing the centralized database requirement, which was previously mandated under PG 2006 and replacing it with fragmented publication rules:

- As per section 10.4.a of PG 2024, the NPC, Ministry of Finance and the CAO/AO shall maintain a list of the blacklisted contractors which shall be updated regularly.
- Section 10.4.b states that where the contract value is greater than Rupees Two Hundred Million (LKR 200 Mn), after obtaining the information from the Procuring Entity (PE), the CAO/AO shall inform the Ministry of the details of the Blacklisted suppliers to be included in the list maintained by the Ministry of Finance with a copy to the National Procurement Commission.
- **Only** under **section 10.4.c**, where the procurement value is less than or equal to Rupees Two Hundred Million (LKR 200 Mn), PEs are required to **publish** information on sanctioned, debarred, or blacklisted parties.

Limiting mandatory publication to low-value procurements (less than or equal to LKR 200 Mn) undermines the rationale for transparency and accountability, as high-value contracts pose the greatest risks of fraud and corruption. Moreover, the provisions for publication of blacklisted contractors are vague, as they do not specify how the information will be published, in what format.

This proposal highlights the importance of addressing Sri Lanka's compliance gap in blacklisting. One critical way to do this is through transparency, achieved by establishing an online, updated, publicly accessible database of blacklisted suppliers. Without such a system, there is no way to verify whether blacklisting provisions are enforced. In Sri Lanka, where compliance is often a bigger problem than the law itself, transparency becomes an even greater necessity. Without it, corrupt or non-performing contractors can continue securing government contracts, increasing fiscal risks and discouraging fair competition among compliant firms.

Therefore, a centralized, online, publicly accessible blacklist is essential to ensure accountability, reinforce transparency, protect public funds, and support fair and competitive procurement in Sri Lanka.

HOW DOES IT HELP THE COUNTRY

1) Reduces Fiscal Waste: By deterring fraud and corruption, blacklisting can prevent procurement losses equivalent to 1% of GDP per year.
2) Restores Public Confidence: Citizens see accountability in the use of taxes and loans.
3) Encourages Honest Competition: Firms that follow rules gain equal footing against corrupt competitors.
4) Improves Debt Sustainability: Preventing procurement losses equivalent to 1% of GDP per year could have averted Sri Lanka's debt crisis.

HISTORY OF THE PROPOSAL

- **2006**: Procurement Guidelines (PG 2006) and Procurement Manual (PM 2006) established – PG 2006 provided for an online database.
- **2019**: Draft procurement guidelines attempted to include fraud/corruption as grounds for debarment but left scope weak and discretionary. Not enacted.
- **2020–2022**: Online blacklist database briefly listed two firms but was never updated and is now empty.
- **2022**: National Procurement Commission re-established under the 21st Amendment, providing an institutional platform for reform.
- **2024**: The new Procurement Guidelines 2024 and the new Procurement Manual 2024 was brought into effect, thereby repealing the PG 2006 and PM 2006.

PUBLISHED SUPPORTING ANALYSIS

Verité Research. *Backwards in Blacklisting: Gaps in Sri Lanka's Procurement Framework Enable Corruption* (Nov 2023) at https://www.veriteresearch.org/wp-content/uploads/2024/01/BackwardsinBlacklisting_ResearchBrief_Nov2023.pdf [last accessed 2 September 2025]

UNODC. *Guidebook on Anti-Corruption in Public Procurement and Management of Public Finances* (2013) at Guidebook on anti-corruption in public procurement and the management of public finances [last accessed 2 September 2025]

World Bank. *A Global View of Debarment: Understanding Exclusion Systems Around the World* (2019).